

Mem

1 June 1983

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting with OPM regarding Rate and Benefit Submissions for 1984.

On 17 May C and DC/IB and C/BSD met with Messrs. George MacWhorter and George Bowers and Ms. Marjorie Bray of OPM to discuss the ABP Rate and Benefit Submission for 1984 due 31 May 1983. C/BSD explained that the 1982 ABP accounting statement and preliminary utilization data for 1983 indicated that all else remaining equal, substantial increases in rates the ABP would be required in 1984. He explained that with only three months data available, any decision on rates and even more so benefits changes was at best guesswork. He informed OPM that GEHA was studying many options for constraining costs if utilization continued on current levels but that we could not make any final recommendation until additional data was available. Mr. MacWhorter stated that GEHA should submit its rate and benefit submissions on a schedule as required by law stating the problems involved in not doing so. However, he went on to say that such submissions would not preclude further benefit negotiations subsequent to that date and intimated that if the ABP did not focus in on this then OPM probably would and that the 31 May submissions only begins OPM's negotiations with the carriers. He further acknowledged GEHA's intent to keep in close contact with OPM regarding developments which might require additional benefit or rate negotiations with OPM before final contract settlement in July or August. He indicated that his initial review of the ABP accounting clearly showed the unanticipated high utilization in comparison with other plans and opined that some of this was probably due to the ABP's not taking the second round of benefits reduction for 1982.

As an adjunct to the above C/IB pointed out that in addition to high utilization, the ABP benefits in the Mental and Nervous area were causing considerable cover concerns. Current ABP benefits are far superior to those paid by any other FEHBP plan and for this reason our policyholders are highlighted by providers of these extremely sensitive services. C/IB asked, in view of the OPM directive that no reductions in mental and nervous be proposed, what should be done, Mr. MacWhorter rejoined that the OPM directive applied to those plans who had already made substantial reductions and that he foresaw no problem with our bringing our benefits more in line with the others. In fact OPM could be the initiator of negotiations in this area, if we wished them to do so..

Also discussed was the \$400.00 Basic Benefit for outpatient services, which often confused policyholders or results in the abuse of emergency room services for non-emergency medical purposes. Mr. MacWhorter understood that the 1982 mandated changes had caused some of the confusion and stated that a clarification or reduction of benefits in this area was probably needed for consistency of benefits purposes.

The meeting closed with an understanding and agreements that both sides would keep in close touch regarding further developments.

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